

# MARKET ENTRY TO JAPAN VIA E-COMMERCE

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## List of Abbreviation:

B2B – Business-to-business  
B2C – Business-to-consumer  
B2B2C – Business-to-business-to-consumer  
COD – Cash-on-Delivery  
CPA – Cost per action  
CPC – Cost per click  
CPD – Cost per duration  
CPM – Cost per thousand  
C2C – Consumer-to-consumer  
EC - E-commerce  
FBA – Fulfillment by Amazon  
GDP – Gross domestic product  
ID – Identification  
JETRO – Japan External Trade Organization  
JST – Japan Standard Time  
JV – Joint venture  
METI – Ministry of Economy, Trade and Industry  
PC – Personal Computer  
RMS – Rakuten Market Store Management System  
SEO – Search Engine Optimization  
SNS – Social Networking Service  
USD – United States Dollar

## 1. Executive Summary

This report is meant to be a “how-to guide” that provides overseas e-commerce merchants with a detailed overview of the Japanese market, the main players, useful contacts, operating costs and the basic requirements to sell online in Japan. There are many reasons to include Japan as part of a global expansion strategy: it is a massive and growing market, it boasts a world-class digital infrastructure and Japanese consumers are sophisticated and affluent, amongst many other reasons. It is also a highly competitive market with a unique language and customs – at once ancient and modern. Gaining a good understanding of how business is done here or engaging a capable partner are prerequisites for success.

Because the big three e-commerce platforms dominate the Japanese market with over 50% market share and almost 100% coverage of all online users, they are the focus of this report as is the B2C e-commerce sector. Amazon Japan is typically a starting point for most overseas merchants because many, if not all, are already trading on Amazon in their home market or in other international markets where Amazon is active. Amazon has made it amazingly easy to engage in international e-commerce. Setting up and selling on Rakuten Ichiba, Japan’s largest commerce platform and Yahoo! Shopping, one of the fastest growing, are more complicated and ultimately require that a Japan-based agent be engaged to some greater or lesser extent. It is recommended that overseas merchants eventually transact on all three as the incremental cost of doing so is almost always less than the incremental revenue and profits that can be generated as a result.

Localization goes well beyond simple language translation in Japan. Successful overseas merchants will learn to look familiar to Japanese consumers and appeal to their sensibilities while at the same time highlighting their unique attributes. They will also learn that patience and diligence are required along with some amount of time and financial investment. Those that are able to successfully navigate these requirements and challenges will often be well rewarded.

## 2. Introduction to E-commerce in Japan



Source: Statista, e-Commerce Japan, User in millions

eshopworld

Japan is the world’s third largest economy and fourth largest e-commerce market behind China, the United States and the United Kingdom. The Business-to-Consumer (B2C) growth rate, which this report will focus on, has remained strong over the past few years, with annual growth estimated at 9.1% in 2016 to ¥15.136 trillion (€112 billion @ ¥125 per Euro / USD \$137 billion @ ¥110 per USD), according to METI (Ministry of Economy, Trade and Industry). With

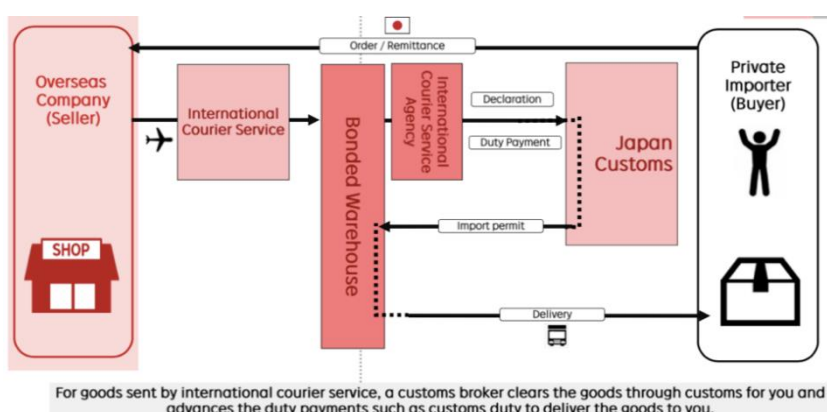
Internet penetration estimated at 92% of the population, Japan represents a significant market opportunity. According to the E-commerce Foundation’s Japan 2016 report, e-commerce accounted for 2.8% of GDP of ¥546.2 trillion (€4.048 trillion), and 5% of total retail sales. Over 80 million people (76% of the online population) shop online. Japan’s developed economy, highly urban population, and single language make the market attractive to online retailers. Its highly developed distribution infrastructure and small country size make delivery easy and convenient. Market growth is expected to be steady for the foreseeable future.

The Japanese B2C e-commerce sector is dominated by 3 major players: Rakuten Ichiba, Amazon Japan and Yahoo! Shopping. These three platforms accounted for about 50% of total online sales in 2016 vs. 40% in 2014. Each platform has taken a decidedly different business approach, appealed to different demographics and specialized in different product segments. Market share reports vary greatly but Rakuten Ichiba is generally recognized as the largest in terms of annual sales, while Amazon Japan is reported to have the most visits. Yahoo! Shopping, which began operations in 2013 (16 years after Rakuten Ichiba and 13 years after Amazon Japan), has quickly grown thanks to its business association with search engine Yahoo! Japan and telecom giant Softbank. Specialty platforms have emerged and flourished in Japan in recent years, each catering to different segments such as apparel, daily goods and C2C commerce.

Japanese Consumers are notoriously well informed, conservative and demanding. Traditional and firmly established business practices can often challenge international companies seeking to enter and do business in the Japanese market. Successful foreign companies are able to meet the high expectations for customer service demanded by Japanese customers, carefully localize their product offerings and communications and take full advantage of the dynamic mobile commerce market here. Smartphone penetration reached 50.1% in 2017 according to Newzoo's April 2017 Global Mobile Market Report. With over 60 million smartphone users in Japan, many of whom increasingly make purchases via mobile e-commerce (Mcommerce), internet retailing is dramatically shifting from e-commerce using computers to smartphones.

E-commerce offers excellent means of entry into the Japanese market as it is scalable, relatively low-cost and enables merchants to retain control over their business operations vs. wholesale or licensing deals. There are three predominant e-commerce based market entry models:

- **Merchant-managed (remote)** – Amazon's *Global Selling Program* and *Fulfillment by Amazon (FBA)* enable merchants to locally warehouse products and sell in any of Amazon's 11 global markets, including Japan, via a single merchant account. Sales revenue can be easily repatriated. Overseas merchants that pursue this option will still need to ensure proper translation and localization of all product and related information while Amazon Japan provides all operational support including customer service and order fulfillment. Rakuten Ichiba allows merchants only from the US to directly establish an account and manage the operation from overseas, including fulfillment, but requires that Japanese language customer service be provided during normal business hours in Japan. In both cases, some merchants will use local agents or hire local staff to oversee the business, help manage the operation and grow the business.



One other option is for merchants to set up their own website and sell directly to Japanese consumers while fulfilling orders from abroad. This option presents several challenges including the ability to deliver Japanese language customer service, successfully drive traffic to the site and overcome hesitation by Japanese consumers to make online

purchases from abroad. As such, this option is usually pursued at a later stage of market entry to Japan and when overseas merchants have a service partner in Japan.

- Agent-managed (local) – There are two basic models where international merchants work with local agents to establish and operate e-commerce businesses on their behalf:

- Cross-border – Merchants that register on Amazon Japan and Rakuten have the option of fulfilling orders from outside of Japan, allowing them to reduce some set-up and operational costs. However, localization requirements are usually the same and consumer conversion rates usually suffer from slower delivery times and higher shipping costs. Japanese consumers benefit by enjoying tax freedom on purchases of up to ¥16,666 / €133.

Rakuten Ichiba offers an overseas business plan called the *Japan Market Shop Plan* to e-commerce merchants anywhere in the world that provides the structure and support that allows them to directly sell to Rakuten Ichiba's customers in Japan while fulfilling orders from overseas. In this plan, overseas merchants must use one of four authorized agents to qualify. These agents will apply for and establish an account in their name but on behalf of the merchant, develop the storefront where customers come to shop and provide customer service and marketing services. Sales revenue is paid to the agent who then repatriates funds to the merchant after deducting operating costs, fees and commissions. Additional costs need to be offset by incremental sales.

- Local-operation – Engaging an agent to establish and operate a fully localized e-commerce business in Japan on behalf of the international merchant can provide international merchants with the “best of both worlds” by enabling full localization but maintaining a high degree of control over the business. These agents will apply for and establish an account in their name but on behalf of the merchant, develop the storefront where customers come to shop and provide customer service and marketing services. Sales revenue is paid to the agent who then repatriates funds to the merchant after deducting operating costs, fees and commissions. Additional costs need to be offset by incremental sales. This approach is required for merchants outside of the US who want to operate on Rakuten Ichiba, and any international merchants wanting to operate on Yahoo! Shopping in Japan. Some overseas merchants selling on Rakuten Ichiba may want to migrate their businesses from cross-border to local-operation if and when the time is right to increase their localization and grow sales.

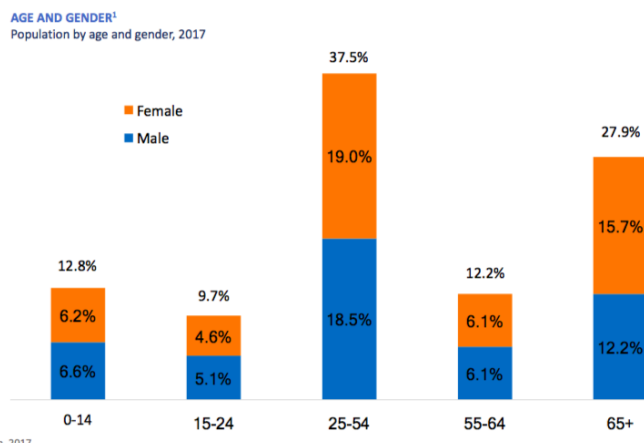
- Merchant-managed (local) - Establishment of an official business presence in Japan by incorporating a branch office, subsidiary or creating a JV (joint venture) and hiring local staff – This approach allows international merchants to act as an importer, establish a local bank account and more fully understand and control their Japanese business. Local operations also allow merchants to explore and pursue other business opportunities as well such as wholesale and retail sales or licensing. However, tax liability, labor issues along with the fact that investment and operating costs are the highest in this model means that overseas merchants typically pursue this option at the final stage of market entry and only after the viability of the business in Japan has been fully established.

From a practical point-of-view, overseas e-commerce merchants have all the tools they need to enter the Japanese market and successfully compete in this massive and growing marketplace. Local business norms and customs, savvy competitors and discerning and often skeptical consumers make Japan a challenging but attractive market for overseas merchants looking to expand their businesses here.

### 3. Why Japan?

#### a. The Japanese Market

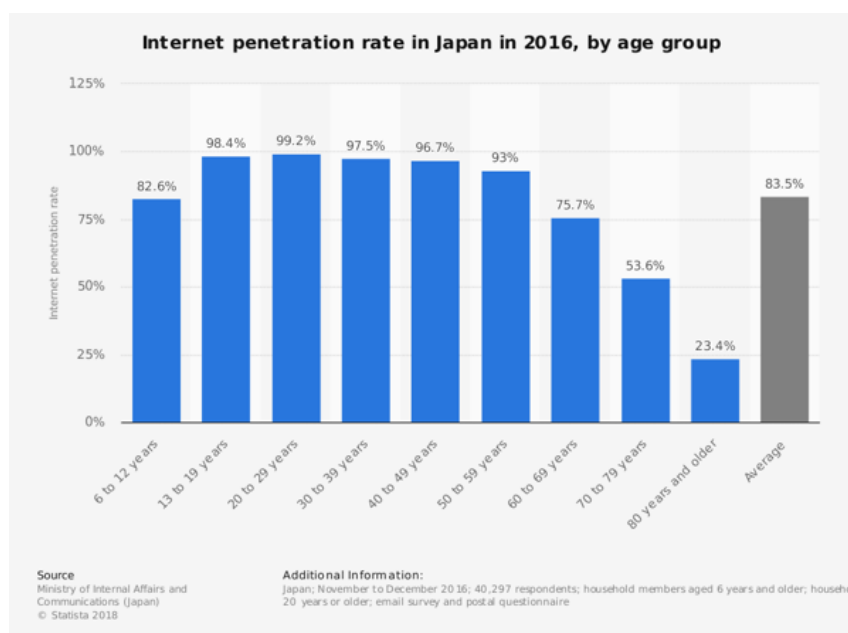
Japan is the third largest economy in the world behind only America and China. After a decade of stagnation and deflation, the last few years has seen a consistent return to growth and increasing consumer optimism. During that decade, many international companies directed their Asian business development efforts on China whose economy was growing at double digit rates. Years



<sup>1</sup>Age and Gender. Source: CIA World Factbook, Ecommerce Foundation, 2017.

later and after learning that there are many obstacles to doing business in China (regulations, joint venture requirements to enter the market, dangers of technology transfer, piracy, difficulty repatriating funds, etc.) many business people have come to appreciate the business opportunities Japan has to offer. It is a highly orderly and even somewhat predictable market because of its almost completely homogenous population, highly concentrated urban population and long history. As a result, trends tend to be easily identified and customs universally held. Once business customs and expectations are understood and followed, anyone, including international businesses, can be successful. That said, it is highly competitive and consumers are very demanding. Yet, for companies that are able to ensure that consumer needs are well met, those consumers can be very loyal and profitable.

Japan is home to 126 million people with a total GDP of ¥527 trillion ((€4.048 trillion / USD \$4.94 trillion) in 2016 and is ranked as the 4th richest country, according to the World Bank GDP per capita rankings. Japan's GDP per capita was ¥3,794,000 (€27,952 / USD \$35,794) and is expected to reach ¥4,187,954 (€33,503 / USD \$38,072 by 2021). It also is also home to the world's oldest population, which creates opportunities for merchants selling functional products targeted at the silver market such as foodstuffs designed for seniors and lifestyle products. In Japan, there are no big differences in the amount of Internet use among the age groups, although on average, men spend more time than women. The use of the Internet among the elderly in Japan is more common and higher than in some other countries.





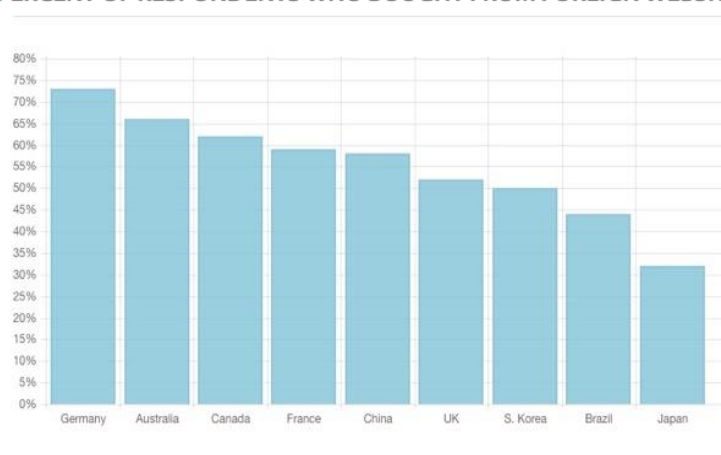
In 2016, Japan was ranked 12<sup>th</sup> in the World Bank's Logistics Index which reflects a country's logistics based on efficiency of customs clearance, quality of trade and transport related infrastructure, ease and quality of logistical services, etc., and 11<sup>th</sup> in the United Nations eGovernment Index, which assesses investment in telecommunications and provision of online services, amongst other things. Japan was ranked 5<sup>th</sup> in the world for Internet Inclusivity Performance Index by the Economist Intelligence Unit, which indicates a very favorable Internet infrastructure. However, Japan was ranked 34<sup>th</sup> in the World Bank's Ease of Doing Business Index which indicates advantages to starting and operating local firms.

## b. The Japanese Consumer

Japanese consumers are affluent and notoriously sophisticated and demanding in terms of quality and presentation. They are also interested in novel items and have become more price conscious over the years. They are also avid researchers whom actively utilize review sites such as [kakku.com](http://kakku.com) and frequently rely on

word-of-mouth for information prior to purchase decision making. According to PWC's 2017 Total Retail report, 54% of Japanese consumers start product searches on Amazon Japan. The two main reasons for purchasing online, according to Price Waterhouse Cooper's 2017 survey were 1) convenience, and 2) price. They also have interest in foreign brands and goods but are often conservative and cautious when purchasing foreign products online, especially from overseas merchants with whom they might not be able to communicate with customer service related needs. As such, for merchants marketing from overseas, country

PERCENT OF RESPONDENTS WHO BOUGHT FROM FOREIGN WEBSITES



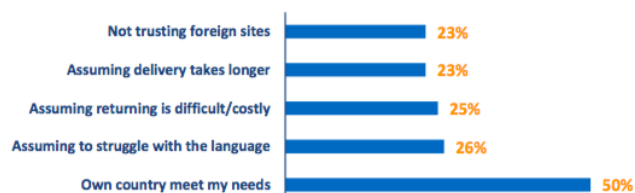
Source: Nielsen

of origin, brand strength, quality, variety, etc. will be even more important. International merchants operating on one of the Japanese e-commerce platforms will be able to reduce some of the obstacles to purchase. In these cases, competitive price and unique products can enjoy some advantage. Another way to reassure Japanese consumers about your products is to provide a wealth of information about them including detailed descriptions, images, video, how-to-use instructions and more. What many international merchants might consider unnecessary or excessive will probably be satisfactory for the typical Japanese online shopper.

Japan B2C E-commerce Country Report 2016 published by the E-commerce Foundation, provides a very useful overview of the reasons Japanese consumer purchase or are hesitant to purchase from overseas merchants.

#### REASONS FOR NOT BUYING ABROAD

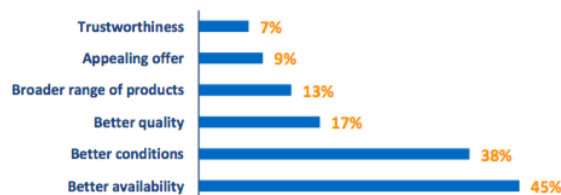
Reasons why Japanese e-shoppers are hesitant to buy cross-border



Source: Google Barometer, 2016

#### MOTIVATIONS FOR BUYING ABROAD

Reasons why Japanese e-shoppers buy cross-border



Source: Google Barometer, 2016

#### MOST POPULAR PURCHASES FROM FOREIGN COUNTRIES

Most popular products for cross-border shopping



**Explanation**  
20% of Japanese e-shoppers have bought clothing and footwear in a foreign online shop at least once.

Source: Google Barometer, 2016

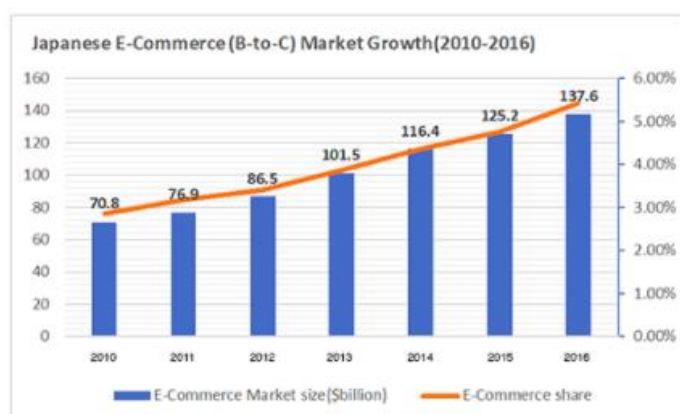
## c. The Japanese E-commerce Sector

The Japanese e-commerce market has changed a lot over the last few years, but what hasn't changed is the strong and consistent growth of the sector. In 2016, the B2C e-commerce sector topped ¥15 trillion, reached 5% of total retail sales and has been growing at an average annual rate of 11%. Almost one third of all households are purchasing online on a monthly basis in 2017, according to the Ministry of Economy, Trade and Industry (METI). Annual per capital spend on e-commerce topped ¥150,000 (€1,200) in 2015.

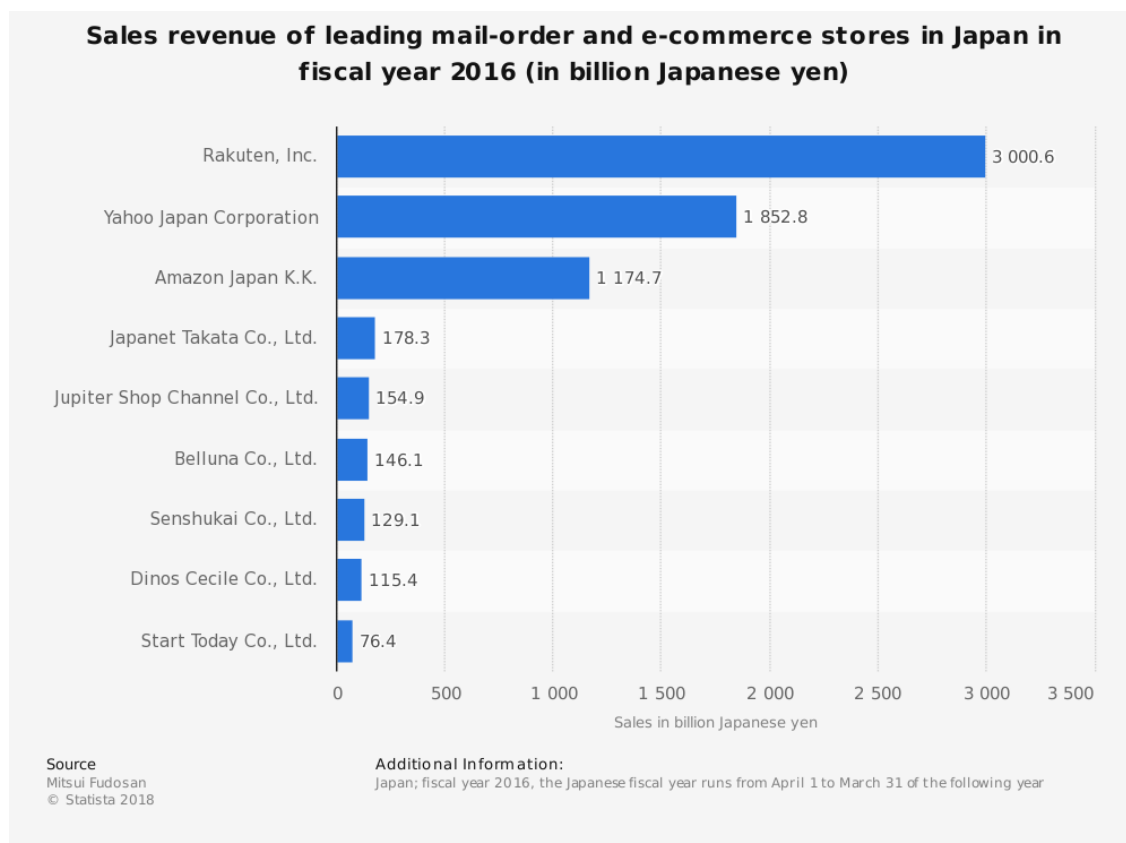
Most online shopping in Japan is conducted on marketplace or mall sites. Rakuten Ichiba has historically been the most popular shopping commanding 28.8% of the total e-commerce market share in Japan as recently as 2015, according to Lyons CG. Amazon Japan and Yahoo! Japan Shopping are the other two major e-commerce platforms that dominate the Japanese e-commerce market. Together, these three platforms

account for about 50% of total e-commerce sales in the country according to JETRO (Japan External Trade Organization).

More recently, Amazon Japan and Yahoo! Shopping, along with other specialist websites such as C2C flea market [Mercari](#) and apparel specialist [Zozotown](#), have chipped away at Rakuten Ichiba's market share dominance.



Ministry of Economy, Trade and Industry Data | Japanese e-commerce market growth



Because Rakuten Ichiba, Amazon Japan and Yahoo! Shopping account for about 50% of the e-commerce market in Japan, it is essential that overseas merchants operate on all three platforms. This market concentration makes reaching a large portion of those consumers who are shopping online easier. Depending on the product category, other specialty e-commerce sites can be utilized. Some international merchants may ultimately evolve to the point where they can launch their own localized websites in order to capture incremental business and enjoy healthier operating margins.

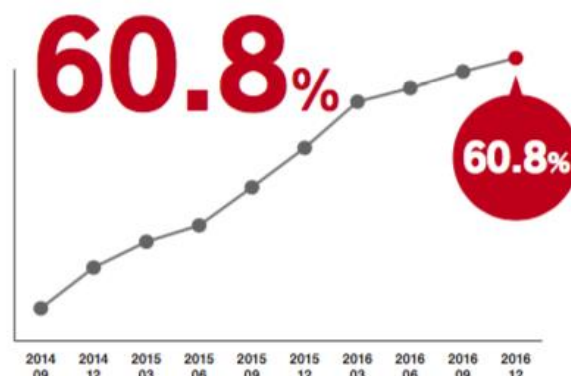
#### i. Mcommerce

The rapid increase in “Mcommerce” – mobile e-commerce transactions – is a major trend that must be incorporated in any business strategy in Japan. In order to successfully reach consumers in this manner, special attention needs to be made to ensure proper formatting for mobile devices.

In 2015, half of all e-commerce transactions were conducted via mobile devices (44% smartphone, 6% tablet), according to the 2016 Global E-commerce Book Japan. The U.S. Commercial Service of the U.S. Department of Commerce in its 2017 Japan Commercial Guide Japan-e-commerce report stated that, “online transactions on mobile platforms is nearly 60% of all purchases.” This data is corroborated by Rakuten Ichiba’s 2016 report that 60.8% of all purchase transactions on its e-commerce platform were made via mobile devices. According to Price Waterhouse Cooper’s 2017 Total Retail report, 29% of consumers buy at least monthly via mobile or smartphone.

Not only are Japanese consumers using their mobile devices and smartphones at an increasingly high rate, they are using these devices for purchasing and are converting into sales at the highest rate in the world.

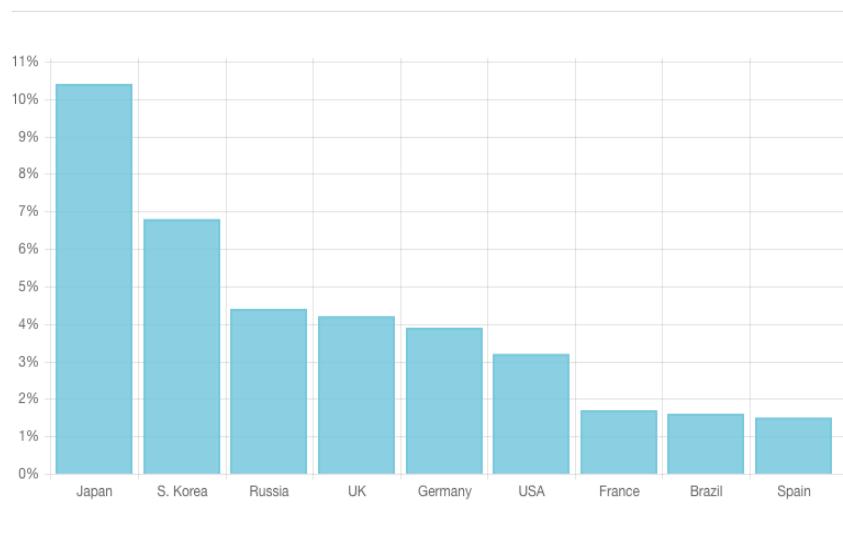
Mobile percentage of Rakuten Ichiba transaction volume



\* Mobile percentage = Rakuten Ichiba mobile transaction volume / Total overall Rakuten Ichiba transaction volume (incl. feature phones, smartphones, and tablets)

Source: Rakuten, Inc.: “Materials for the Information Session for 1st Quarter Results 2016,” “Materials for the Information Session for 2nd Quarter Results 2016”

CONVERSION RATES OF MOBILE SHOPPERS BY COUNTRY



Source: Criteo

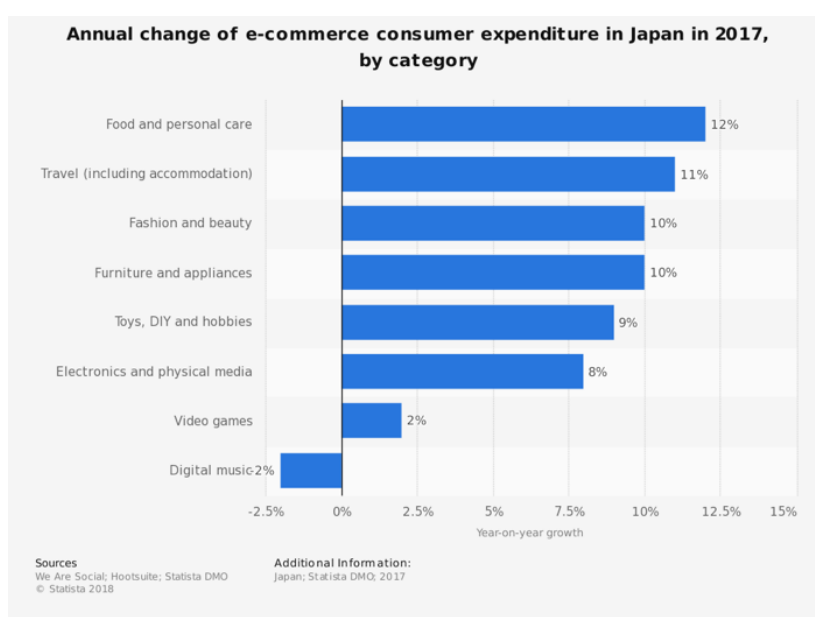
## ii. Top Selling Items

When reviewing top selling items in Japan the list does not appear to be significantly different from one that you would see in any other developed market. Apparel is not only one of the most popular items sold online in Japan, it has one of the highest percentage of sales relative to retail at over 10% according to an April 2017 e-commerce market survey by METI (Ministry of Economy, Trade and Industry). The top product categories are: office supplies and stationery at 33.61%, home appliances, AV equipment, PCs and peripherals at 29.9%, books, videos and music software at 24.5%, furniture and interior at 18.66%, followed by apparel.

**Product Categories Purchased Digitally by Digital Buyers in Japan, April 2017**  
% of respondents

Books, ebooks	46.3%
Food and beverage	46.3%
Clothes & accessories	41.6%
Personal care	38.9%
Cosmetics	27.0%
Home appliances (washing machine, refrigerator, etc.)	26.3%
Computer/laptop	21.4%
Travel (tour, hotel rooms, air ticket, etc.)	20.4%
Sports/picnic equipment	14.2%
Furniture	13.8%
High-tech products (TV, camera, etc.)	11.7%
Mobile phone, tablet	9.3%
Car, motor	8.8%
Vouchers	8.6%
Beauty services	5.3%
Mom & baby care	4.7%
Other	7.0%

Note: n=486  
Source: DI Marketing, April 24, 2017  
226303 [www.eMarketer.com](http://www.eMarketer.com)



### iii. Major Shopping Days

E-commerce spending increases during New Year's sale season, Valentine's Day - when women give men chocolate and gifts (February 14<sup>th</sup>), Mother's Day and Father's Day, Japan's summer and winter bonus seasons, and the international holiday season around Christmas. There are also uniquely Japanese gift-giving holidays such as White Day - when men give women chocolate and gifts (March 14<sup>th</sup>), Children's Day (early May) and Respect for the Aged Day (September 17).

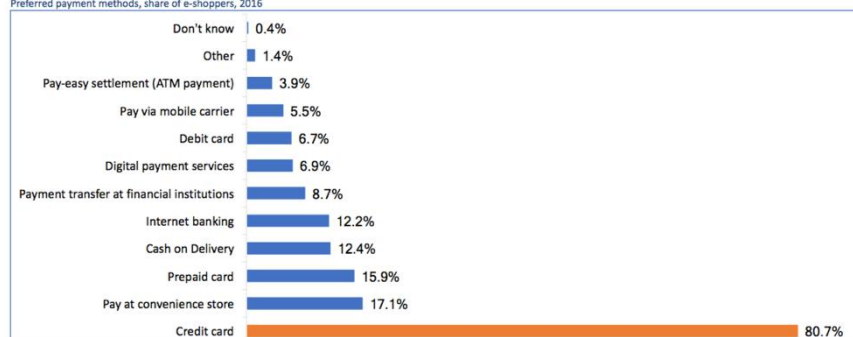
### iv. Payment Methods

Although credit cards are the most common payment method in Japan, other options for payment are popular so it is essential to allow shoppers to choose how they want to pay. Here are payment options in

addition to credit cards to consider:

- Cash-on-delivery (COD) – Rather than paying when an item is ordered, Japanese shoppers pay upon receipt of the goods. This requires an account with Japanese shipping carriers such as Yamato or Sagawa.
- Bank Transfer – Customers of financial institutions such as the major city banks can also make online bank transfers to pay for goods. This type of payment may take several days to clear and require some manual review to reconcile.
- Convenience Store Payment – Convenience stores, also known as *konbini*, serve as major touch points for commerce since they are found on many street corners. This type of payment may take several days to clear and require some manual review to reconcile.

CONSUMER PREFERENCE: PAYMENT METHODS<sup>1</sup>  
Preferred payment methods, share of e-shoppers, 2016



According to the E-commerce Foundation's B2C E-commerce Country Report 2017 shoppers overwhelmingly used credit cards when purchasing online (80.7%), while 17.1% paid at convenience stores and 12.4% by cash on delivery. Visa and MasterCard are almost universally accepted - American Express and Diners Card to a lesser

extent. Japan's major credit card is JCB, which must be included as a payment option.

## v. Shipping and Logistics

Japan is roughly the same size as California, while, the population of California is about 37 million people. The population in Japan is about 126 million and is highly concentrated in urban areas. As such, distribution and logistics services in Japan are highly developed and efficient – but pricy. Merchants should be aware that Japanese customers are used to exceptionally fast delivery speed in Japan. The principal shipping firms, Sagawa and Yamato, are able to deliver the same day. Most people expect to receive their orders by the next day. A wait time longer than two days is usually unacceptable in the major cities. For companies shipping goods internationally, it's imperative to communicate clearly to customers that the product is not available locally and that it will take longer to arrive. The opportunity of a possible return of products is also a major issue affecting the decision to purchase foreign products so having a liberal return policy is advised – certainly when fulfilling orders from abroad but also from within Japan. Japanese consumers purchasing from within Japan often expect to be able to return damaged or broken goods – even damaged packaging - at the expense of the seller.

Delivery costs are rising in Japan yet customers still expect low cost, rapid delivery, as set by Amazon's precedent. In fact, a survey by the Royal Mail showed that dissatisfaction with delivery costs was the biggest obstacle to purchase. As such, many merchants offer free shipping by either burying distribution costs in the price of the goods or setting purchase thresholds (e.g. orders of ¥3,000 or more) to provide free shipping. But the rising cost means Yamato is also putting up its fees to Amazon Japan and other vendors. This problem is one of the reasons behind Amazon's decision to have delivery handled by its own staff for Amazon Now, its 1-hour delivery service launched in November 2017. Also in November 2017, Amazon began proposing that merchants using its FBA service and sold directly by Amazon pay a portion of sales as a means of covering



these rising delivery costs, according the Nikkei Asian Review. A fixed fee of 2% for food and daily essentials and a range of 1-5% for sellers of other product categories has been proposed.

Most international merchants will enter the Japanese market by leveraging an already existing Amazon Seller Central account and start setting up on Amazon Japan. In doing so, they will universally use Amazon Japan's FBA service (Fulfillment by Amazon) to process orders and deliver goods. Amazon Japan's FBA service is exceptional as it offers same day service in major urban areas. It is also quite reasonably priced in terms of pick, pack and shipping (e.g. about ¥360 / €2.88) for standard small size box) but charges quite high warehouse and storage fees, especially for long-term storage. When overseas merchants choose to launch on Rakuten Ichiba and or Yahoo! Shopping, they have three primary options:

- Amazon Japan's FBA Multi-channel service, which allows orders from e-commerce platforms other than Amazon to be fulfilled by FBA. Merchants can choose to use Amazon branded boxes or pay a slightly higher fee for unbranded boxes. Pick, pack and shipping costs are more expensive at about ¥650 / €5.2 for a standard small size box.
- Rakuten Super Logistics (RSL) – Rakuten Ichiba offers warehouse and logistics services similar to FBA but they are limited to fulfilling orders place by Rakuten Ichiba customers. The application process is quite complicated and because there is a fixed charge of ¥50,000 / €400 per month regardless of the number of orders, smaller merchants will not find this to be a cost-effective option but larger merchants might if orders exceed about 80 per month.
- Local warehouse – There are many logistic companies in Japan so the competition for business is fierce. Some of these companies are actively seeking international business clients although most cannot provide English language client support. These companies can typically match or beat FBA Multi-channel service pricing when fulfilling orders to Rakuten Ichiba and Yahoo! Shopping, and are universally cheaper when it comes to storage fees – especially when larger merchants are considering shipping container(s) to Japan.

It should be noted that when using Amazon FBA Multi-channel or utilizing a local warehouse, a third-party solutions provider is required to link external order processing systems like Rakuten Ichiba's RMS and Yahoo! Shopping's StorePro. Also, the warehouse services offered by Amazon Japan and Rakuten Ichiba do not provide for the storage of any food related products, in fact any items that have expiration dates. For merchants selling these types of products, a specialized local warehouse will be the only option.

For those overseas merchants that choose cross-border fulfillment, the following considerations should be made:

- State whether or not the price includes customs duty and consumption tax
- Add customs duty handling information to the delivery settings
- Ensure that dangerous or prohibited products are properly handled or prohibited

It is best to check Japan Customs and the government's websites for relevant guidelines or consult a local agent (see the references section of this report).

## 4. The Big Three: Rakuten Ichiba, Amazon Japan and Yahoo! Shopping



The three most popular shopping platforms accounted for upwards of 50% of the entire e-commerce market in Japan.

Each has taken a somewhat different approach to the market although both Rakuten Ichiba and Yahoo! Shopping are e-commerce shopping malls and both are skewed towards female users, while Amazon Japan is product centric - as it is elsewhere in the world, and skews more towards male users. Both Rakuten Ichiba and Yahoo! Shopping offer e-commerce consultant services to merchants although Rakuten Ichiba has a more internationalized English speaking staff and plays a more active support role. Merchant support services on Amazon Japan is primarily limited to email communication. Search Engine Optimization (SEO) is similar for all three platforms and is based on the strength and coverage of key words, sales and popularity of a product and quality of consumer reviews.



### a. Rakuten Ichiba – An Innovative Giant



Rakuten is a comprehensive internet services company that operates [Rakuten Ichiba](https://www.rakuten.co.jp/), Japan's largest e-commerce platform. Rakuten Ichiba is a B2B2C business model in which merchants come together to form Japan's largest internet shopping mall. Rakuten Ichiba services include RMS (Rakuten Merchant Server, a development platform for running online shops on Rakuten Ichiba) along with dedicated e-commerce consultants who help merchants overcome challenges and grow their sales. This model is unique in Japan and even globally as other e-commerce sites are more product-centric and passive. At Rakuten Ichiba, the

merchants design their unique storefronts and own category and product pages. This enables them to showcase the originality of their stores and directly engage users through e-mail and SNS (social networking services) as well as many other marketing tools. The other unique and important aspect of Rakuten Ichiba is the availability of e-commerce consultants assigned to individual merchants that are well-versed in market trends, user needs, promotional opportunities and ways to optimize their clients' businesses. Many speak English.



The Rakuten Ecosystem is a unified network of Rakuten Group services. Members receive a Rakuten ID shared across Rakuten services, all of which utilize Rakuten Super Points, a nationwide customer relationship management (CRM) incentive program that enables points to be converted into discounts on products and services and encourages continued use by consumers. Overall, Rakuten Ichiba promotes itself as a fun and convenient online shopping experience. In fact, its motto is “Shopping is entertainment”.

Rakuten Ichiba boasts 91.5 million registered users, annual sales revenue of over \$3.3 trillion (€26.4 billion) and 12% year-on-year growth from 2016 to 2017. Merchants sold an average of ¥3,850,000 (€30,800) per month. Product sales on Rakuten Ichiba are disproportionately high in food, household accessories, apparel and beauty products. As mentioned earlier, Rakuten Ichiba differentiates itself by defining itself as an online shopping mall that features the uniquely designed storefronts of its resident merchants. It also does so by the quality of its e-commerce consultants which work closely with their client merchants and by the sheer variety of its marketing tools and promotions.

### i. Cross-Border Operations: Japan Market Shop Plan

Rakuten Ichiba offers overseas merchants two plans, the *Japan Market Shop Plan* and the *Japan Market Shop Plan Mega*. The two plans differ only in terms of the number of items (SKUs) that can be listed on the platform (up to 20,000 vs. unlimited) and the monthly fees to utilize the platform (¥50,000 vs. ¥100,00 / €400 vs. €800). The one-time setup fee (¥60,000 / €480) is identical for both as is the sales commission structure (3.5-5.0% for PC-based sales and 4.0-5.5% for mobile device-based sales). This commission is calculated based on actual monthly sales volume, and the commission percentage reduces as sales increase. Running costs on Rakuten Ichiba include systems fees (sales commission), fixed monthly credit card processing fees, affiliate fees and Rakuten Points fees. These running costs average around 11% of total sales.

Rakuten Ichiba pays its merchants twice a month, on the 10<sup>th</sup> and 25<sup>th</sup> of the month, one month after sales have been generated. The entire amount of sales revenue is paid into the nominated bank account. Operating costs (sales commissions, promotional expenses, super point fees, etc.) are separately invoiced at the beginning of the month for the previous month's expenses and paid by credit card or bank transfer on the 25<sup>th</sup> of the month.

<b>Japan Market Shop Plan</b>	Registration Fee: <b>¥60,000</b>
	Payment: <b>One time registration fee</b>
	Monthly Fixed Fee: <b>¥50,000</b>
	Payment Method: <b>2 installments worth 6 months each</b>
	Contract Period: <b>1 Year</b>
	Listing Capacity: <b>20,000 items</b>
	System Commission: (for purchase made via PC) <b>3.5 ~ 5.0%</b>

<b>Japan Market Shop Plan MEGA</b>	Registration Fee: <b>¥60,000</b>
	Payment: <b>One time registration fee</b>
	Monthly Fixed Fee: <b>¥100,000</b>
	Payment Method: <b>2 installments worth 6 months each</b>
	Contract Period: <b>1 Year</b>
	Listing Capacity: <b>Unlimited</b>
	System Commission: (for purchase made via PC) <b>3.5 ~ 5.0%</b>

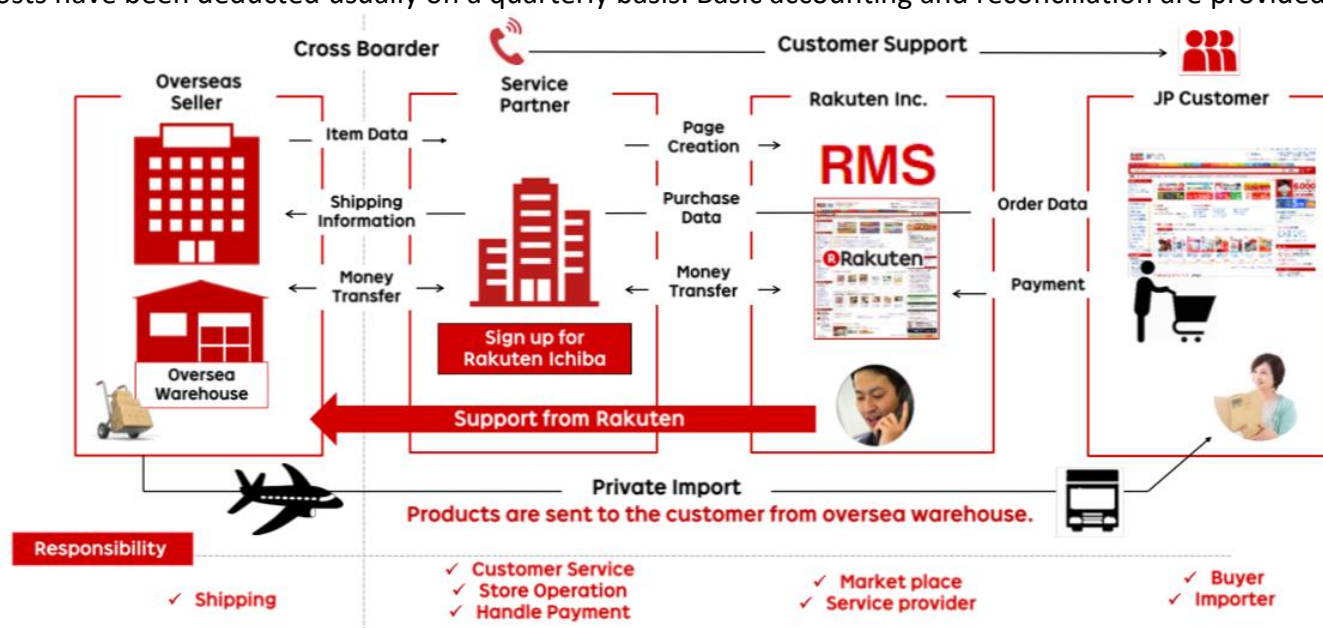
#### Circumstances

- . Average purchase price (including shipping fee) : ¥5,000
- . Ratio of PC to mobile purchases = 60% : 40%
- . Purchases from Rakuten members : 95%
- . Sales via affiliate : 30%

Cost Simulation				
Cost Category	Monthly sales of ¥1,000,000	Monthly sales of ¥5,000,000	Monthly sales of ¥10,000,000	Monthly sales of ¥50,000,000
System fee (PC)	¥20,000	¥87,500	¥167,500	¥732,500
System fee (mobile)	¥32,500	¥142,500	¥272,500	¥1,232,500
System enhancement charge	¥1,000	¥5,000	¥10,000	¥50,000
Affiliate fee	¥3,900	¥19,500	¥39,000	¥195,000
Card payment fee	¥50,000	¥250,000	¥500,000	¥2,500,000
Super Point Fee (1%)	¥9,500	¥47,500	¥95,000	¥475,000
<b>TOTAL</b>	<b>¥116,900</b>	<b>¥552,000</b>	<b>¥1,084,000</b>	<b>¥5,185,000</b>

Source: Rakuten Overseas Business Model Guidebook 2017

Once overseas merchants choose a plan, they will need to select from one of the four registered agents (see the References section for details) that will apply for and register a merchant account on Rakuten Ichiba on behalf of the merchant – a process that usually takes about one to two weeks. The storefront will be named and branded by the merchant but the operating company and contact information will be that of the agent. Once the account has been approved the agent will provide all required services including translation and localization, storefront design and updating, marketing and promotion and payment processing including options like bank transfers, convenience store payments and cash-on-delivery. The merchant will typically receive payments from the agent via bank transfer to the overseas merchant's nominated bank account after costs have been deducted usually on a quarterly basis. Basic accounting and reconciliation are provided.



Source: Rakuten Overseas Business Model Guidebook 2017

Costs and service models associated with this approach vary but the registered agent list is limited to these four companies, all of which offer English language support services. Set up costs for a simple storefront will usually cost ¥300,000 (€2,400) or more while running costs are both fixed and commission based.

Initial Cost	contract	300,000JPY (less than 30 items)	1,600,000JPY	250,000JPY		5,000USD
	Page Setup Fee	2,634 USD 2,235 EUR 3,416 AUD 2,967,000 KRW 17,498 CNY 79,704 TWD	14,100 USD 11,924 EUR 18,223 AUD 15,829,000 KRW 93,322 CNY 425,088 TWD	2,200 USD 1,863 EUR 2,847 AUD 2,473,000 KRW 14,581 CNY 66,420 TWD		
Running Cost	Monthly	100,000 JPY 900 USD 745 EUR 1,138 AUD 989,000 KRW 5,832 CNY 26,568 TWD	450,000JPY 4,000 USD 3,353 EUR 5,125 AUD 4,451,000 KRW 26,247 CNY 119,556 TWD	70,000JPY 610 USD 521 EUR 797 AUD 693,000 KRW 4,082 CNY 18,597 TWD	None	2,000~ 5,000USD
	Commission	7%~12%	3%	7~15%	15% ~ 35%	
Optional Fees	Translation	15JPY / word	ask	JPY8/word		
	Photoshoot	10,000JPY	ask	ask		
	Customer support	ask	200,000JPY	Included in comission		

Source: Rakuten Overseas Business Model Guidebook 2017

In the case of American companies (and perhaps some European companies in 2018), they have the option of bypassing the agent and directly applying for and establishing an account. Their only requirements are to provide a minimum of 5 hours of Japanese language customer service between the hours of 9am – 6pm in Japan (JST) and limit payment options to credit cards. Of course, these US merchants will still need to develop and maintain a Japanese language storefront, and effectively promote and market to Rakuten Ichiba's more than 90 million users. They will also need to operate the Japanese-language-only RMS back-office order management system, R-Data Tool which provides sales and marketing analysis and other functions of what is a decidedly powerful but complicated platform. Some of them will do this with in-house teams, outsource functions in their home market or utilize Japan based agents to assist them.

## ii. In-country Local Operations

Some overseas merchants will either graduate from the cross-border model or will choose to launch on Rakuten Ichiba by maintaining inventory and fulfilling orders from within Japan. The workflows for this process are almost identical to the above mentioned cross-border model, where an agent (see the References section for details) will apply and register a merchant account on Rakuten Ichiba on behalf of the merchant. The storefront will be named and branded by the merchant but the operating company and contact information will be that of the agent. Once the account has been approved, the agent will provide all required services including translation and localization, storefront design and updating, marketing and promotion and payment processing including options like bank transfers and cash-on-delivery. The agent will transfer funds to the overseas merchant's nominated bank account after costs have been deducted on a mutually agreed upon basis. Basic accounting and reconciliation is provided. The main differences between this fully localized vs. the cross-border model are as follows:

- Consumers generally benefit because the financial and time costs of shipping from overseas is minimized or eliminated. Consumers are more likely to purchase from a domestic merchant than from an overseas merchant. Overseas merchants generally benefit from higher conversion rates.
- Inventory is being kept in Japan so an additional workflow and cost may be incurred by the overseas merchant by bulk shipping to Japan and maintaining a warehouse outside of their native country. Amazon Japan's FBA service can fulfill orders generated by Amazon Japan customers, while FBA's Multi-Channel Service can be used to fulfill orders received from Rakuten Ichiba or Yahoo! Shopping customers. Overseas merchants can use the warehouse services offered via their agent in order to reduce the costs associated with Amazon FBA and FBA's Multi-Channel Service.

## iii. Storefront Development

Developing an e-commerce storefront on Rakuten Ichiba (and Yahoo! Shopping for that matter) is similar



to creating an e-commerce website where the content and design of the site are meant to introduce the prospective consumer to the products or services being offered and guide them along the process of discovery to purchase. Japanese consumers are comfortable with very busy creative designs and like when there is plentiful information about what is being sold including as much information as possible about: 1) what the product is, 2) what benefits it offers and 3) how to use it. Pricing and ordering information are often listed at the bottom of the product pages and are usually the result of being able to engage the customer from top to bottom. A typical storefront will be organized with these three key

Source: Rakuten Overseas Business Model Guidebook 2017

elements at a minimum but will often also include video, operational instructions and other data meant to provide customers with sufficient information to more easily make their purchase decision.

Rakuten Ichiba offers a basic in-house design “starter kit” called Members in which the basic elements of the storefront (e.g. product pages, banners, etc.) will be created for ¥70,000 (€560), along with templates that make creating other pages easier for an in-house designer or agent-based design team. Some merchants will choose this option as it is low cost but most will use one of the more established design companies to design and build a more attractive and competitive storefront.

#### iv. Marketing & Promotion

Another unique and important differentiator is the sheer variety of marketing and promotion tools made available to the merchants. These promotions fall into two main categories: 1) Display ads or Cost per duration (CPD) and 2) Performance based ads such as CPC (cost per click) and CPA (cost per action).

##### o Cost Per Duration (CPD)

Rakuten Ichiba offers a variety of thumbnail display ads that range in price for as low as ¥15,000 (€120) each for PC and mobile to ¥60,000 (€480) each. These banner ads are always related to particular product categories such as beauty, health, sports, outdoor, kitchen, etc., and can be run at any time or during specific promotions. The banner is placed on the category page and the exposure duration is usually 14 days. Advertising on a special promotion page set up by Rakuten Ichiba during their monthly promotions is also possible, the duration of which usually runs for 5 days.

In addition to these standard category banner ads, there are three main promotions that are run throughout the year with one usually occurring each month: 1) *Super Sale*, 2) *Sales Carnival* and 3) *Shopping Marathon*. Each differs slightly in terms of theme and target (e.g., Super Sale is widely promoted in the broad media and meant to drive traffic to Rakuten Ichiba, while Shopping Marathon seeks to increase sales by rewarding consumers who purchase at multiple stores on Rakuten Ichiba by awarding additional Rakuten Points to those that do). All three are limited in time (usually 5 days) and are promoted across the entire platform. Category banner ads are limited in number and confirmed on a first-come-first-served basis. Costs vary by category but are usually around ¥30,000 (€240) for PC display and ¥30,000 (€240) for mobile display.



Because Super Sale is the largest promotion on Rakuten Ichiba and the number of banner slots are severely limited, merchants are offered the opportunity to run a discount promotion called *Double Price Promotion* during Super Sale. This promotion allows merchants to highlight discounted prices vs. original prices as a means of increasing sales conversion.

Rakuten also offers an email magazine that focuses on specific product categories and features three types of banner ads that vary in size, placement and cost (¥70,000, ¥90,000, ¥160,000 / €560, €720 and €1,280). Circulation of the email magazine is based on Rakuten Ichiba customers registering to receive a magazine for a specific product category or categories and sometimes reaches 2 million users, so CPM (cost per thousand) is typically very low but so are response rates and conversion rates.

### ○ Performance Based Ads

Rakuten offers a wide variety of performance based advertisement including:

- *Super Deal Point Promotion* – This point campaign especially targets Rakuten Ichiba’s most active shoppers to provide them with an additional percentage of Rakuten Points (up to 50X) as a discount and incentive. There is a designated search box for Super Deal. Rakuten Ichiba charges 10% of the sales price as the advertising fee. Merchants can apply to participate.
- *Coupon Advance* - Rakuten Ichiba determines possible customers based on algorithmic profiles and automatically creates coupons to be sent to those prospective customers. The fee is ¥40 (€0.4) for each user who received the coupon. Merchants can set a fixed budget.
- CPC (Cost per click) – This is a standard performance based program similar to other e-commerce platforms but, unlike those programs that often have systems for bidding, Rakuten Ichiba fixes the cost at ¥50 (€0.32).
- RDT-AD (*Rakuten Dynamic Targeting*) - Targets viewers outside of Rakuten sites, similar to using Google Adwords. Merchants can set daily budget but charges for this CPC program is also ¥50 (€0.32) per click.
- CPA (Cost per action) – In this case, “action” is defined as a sale so in return for a 20% sales commission, Rakuten Ichiba will promote their merchants’ products by matching the product being promoted to a search result, or target specific users based on demographics or order histories, or to a particular product category page. Payment is only made when a sale is made.

### ○ Discount Based Promotions

Rakuten Ichiba also offers a wide variety of promotions that do not cost anything to implement and are based only on merchants providing discounts to customers including:

- *Flash Sale* – This is similar to Amazon Japan’s Lightning Deal in that it requires approval from Rakuten Ichiba, is focused on best-selling items and is limited in time from 30 min to 24 hours for each sale. Unlike Amazon Japan where participation in a Lightning Deal is by invitation only, merchants are able to submit proposals to Rakuten Ichiba for products to be considered for inclusion in a Flash Sale which occur during the major monthly promotions and on a daily basis.
- *Rakupon* – Merchants can post discount coupons for particular product that appear on their storefront’s product pages and are visible when consumers.

- *Review Promotion* – Merchants can offer incentives to consumers to leave reviews. This can be done by offering coupons delivered by email to existing customers and by posting banners on the storefront. A 20% discount on the next purchase is the most common incentive.

### ○ Affiliate Program

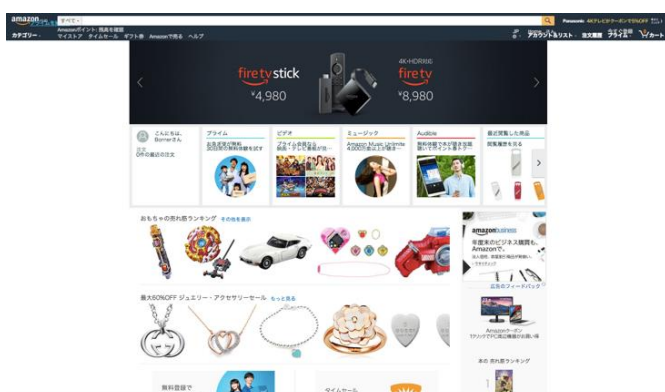
Rakuten Ichiba maintains a large network of affiliates that are typically bloggers with large readerships who write articles promoting particular products. As such, they play an important role in providing additional product information and facilitating sales, so engaging them is often an important part of a sales optimization plan. Merchants must meet minimum requirements and receive approval from Rakuten prior to approaching affiliates who are free to either accept or decline merchant offers. Minimum requirements include:

- Minimum of 5% affiliate commission
- At least 5 samples need to be made available to the affiliates for free including shipping fee
- The item needs to have at least ¥500,000 (€4,000) value of inventory (this promotion is limited to merchants maintaining inventory in Japan)
- Need to keep the affiliate commission rate for at least one month before changing

### v. Special Tools to Assist Customers

Rakuten Ichiba offers several special services that assist customers to make purchase decisions. One is *Asaraku* which identifies merchants selling products that can be delivered the next day. The other is *Kakaku Navi* which allows consumers to compare and rank branded products by price. Rakuten Ichiba also offers its users several ranking lists that show which products are most popular overall and by category, and which products are strongly trending.

## b. Amazon Japan – The Global Leader



Japan is the 2nd biggest foreign market for Amazon following Germany. Retail news reported in 2017 that, “Amazon Japan’s strong investment in its own distribution centers network is paying off. Amazon Japan has 12 centers and four Prime Now centers, making it easy for Amazon to sell directly via its marketplace vendors.”

Whereas Rakuten is storefront and merchant focus, [Amazon Japan](https://www.amazon.co.jp/) is more product-centric which is the same in Japan as it is around the world. The global

standardization that Amazon has been able to achieve is truly remarkable when you consider that a single merchant with a *Seller Central* account can almost identically transact anywhere else in the world that Amazon operates. Also important is the fact that funds generated in Japan can easily be transferred back to the merchant’s nominated bank account very easily after costs have been deducted.

Amazon Japan’s greatest strengths lie in its ability to quickly, seamlessly and inexpensively process and fulfill orders made by its customers and provide basic customer services. As such, set up costs tend to be quite low as are the fixed monthly operating costs ¥4,900 (€39) with the exceptions of sales commissions which

range from 8-15% or more and storage fees, especially long-term storage fees. Many overseas merchants start with Amazon because it represents the most familiar platform and allows easier transfer of existing data from a merchant's home market. Overseas merchants can choose to fulfill via cross-border fulfillment or maintain inventory in Japan and do so domestically.

Amazon Japan's weakness on the consumer side is that product information, descriptions, images, etc. are quite limited in a market where consumers actively seek detailed information prior to purchase. Its weakness on the merchant side is that client support is limited to email so turnaround time and difficulty in communicating is sometimes an issue. Phone support, when it is possible, is done only in Japanese.

### i. Amazon Japan's Fee Schedule

Below is the current Amazon Japan fee schedule:

Monthly Subscription Fee
<ul style="list-style-type: none"> <li>Professional Selling Plan: ¥4,900 (€39) per month</li> <li>Individual Selling Plan: No subscription fee</li> </ul>
Per-Item Fees
<ul style="list-style-type: none"> <li>Professional sellers: No per-item fee</li> <li>Individual sellers: ¥100 (€80) fee for each item sold</li> </ul>

Selling Fees
When your item sells, Amazon collects the amount paid by the buyer (including the sales price and any shipping, gift wrap or other charges). Amazon sets the shipping prices charged to buyers for media products (Books, Music, Video, and DVD) sold by Professional sellers, and for all products sold by Individual sellers. Only Professional sellers can offer gift wrap.

Referral Fees	
Individual and Professional sellers pay a referral fee on each item sold. For media products (Books, Music, Video and DVD), Amazon deducts a percentage of the item price as a referral fee.	
Categories requiring approval: Drugstore, Beauty, Pet Supplies, Food & Beverage, Watches	
Category*	Referral Fee
Books	15%
Electronics	8%
Computers	8%
(Electronics and Computers)	10 % (with a minimum referral fee of ¥50 / €0.4) (※7)
Accessories	
Kindle Accessories	45%
Musical Instruments	8%
Drugstore	10%
Beauty	20%(※1)

Music	15%
Sporting Goods	10%
Automotive	10%
Toys	10%
Video Games	15%(※2)
Software	15%
Pet Supplies	15%
Office Products	15%(※3)
Home	15%
Home Appliances	15%(※4)
Major Appliances	8%
Food & Beverage	10%(※5)
Watches	15%(※6)
Any Other Products	15%

(※1) Please find cosmetic brands in this list

(※2) Referral Fees for some sub-categories in Video Games: 8%

(※3) Referral Fees for some sub-categories in Office Products: 8%

(※4) Referral Fees for some sub-categories in Home Appliances: 10%

(※5) Referral Fees for some sub-categories in Food & Beverage: Please check details

(※6) Referral Fees for some sub-categories in Watches: 10%

(※7) Minimum fee of JPY 50 will be charged for accessories in Electronics or Computers

Amazon Japan pays its merchants twice a month, on the 10<sup>th</sup> and 25<sup>th</sup> of the month, one month after sales have been generated. Operating costs (sales commissions, promotional expenses, storage and shipping and handling fees when FBA is being used, etc.) are deducted from total sales revenue prior to being paid into the merchant's nominated bank account.

## ii. Marketing & Promotion

Amazon offers a limited but effective selection of promotional tools to its merchants including: Free shipping, money off, buy 1-get-1 free and cost-per-click (CPC) called "*Sponsored products*". Seller Central allows overseas merchants to remotely control all of their promotions and allocate funds to various campaigns, most of which are very basic and straightforward and familiar to experienced merchants. Amazon Japan also offers its users several ranking lists that shows which products are most popular overall and by category, and which products are strongly trending ([https://www.amazon.co.jp/ranking?ref=crw\\_top\\_logo](https://www.amazon.co.jp/ranking?ref=crw_top_logo)).

### o Sponsored Products

Sponsored Products is a way for merchants to advertise and merchandise the products listed on Amazon Japan. Targeted ads help boost the visibility of products when shoppers search for keywords that have been bid on. Merchants choose which products they want to advertise, assign keywords to those products, and enter a cost-per-click bid. When an Amazon shopper searches for one or more of those keywords, an ad is



eligible for display in various placements across Amazon. Payment is only made when an Amazon shopper clicks the ad, at which point the shopper is taken to the product page where the offer is listed.

## ○ Lightning Deals

An Amazon *Lightning Deal* is a promotion with a discount offer on an item for a short period of time. These premium deals can be found throughout Amazon Japan, including the Gold Box<sup>1</sup> page and are available one per customer, until either the promotional period (typically 4 hour blocks) is over or after all the available promotional discounts are claimed. Amazon markets these deals through daily e-mail subscriptions, the Amazon mobile app, Twitter and Facebook advertising on Amazon's page. Products that are featured in Amazon's Lightning Deal spaces typically enjoy a bump in sales throughout the duration of the deal although the seller sacrifices profit in the form of the discount (at least 20%). It is a great marketing tool for raising awareness around a product and/or brand. Participation is based on an invitation from Amazon Japan, who selects products to be included typically based on popularity and sales history.

## c. Yahoo! Shopping – The Rising Star



[Yahoo! Shopping](#) was a relative latecomer to the e-commerce sector in Japan, and has lagged behind rival shopping sites as a result. That said, it has the third largest market share and is growing. Benefitting from being part of Yahoo! Japan, one of the largest media companies in Japan and telecom giant Softbank, and leveraging their business strategy called "*E-commerce Revolution*" they have been outperforming the overall market. E-commerce Revolution redefined the standard model that almost all e-commerce platforms follow, i.e. charging merchants a commission on all sales as the primary means of monetization.

Instead, merchants set a percentage of T-points, a very popular nationwide customer loyalty program, to be directly awarded to customers. In order to monetize, Yahoo! Shopping charges merchants a 3% credit card and digital cash transaction fee, and to advertise and promote their storefronts and products in order to monetize.

Yahoo! Shopping is organized as a shopping mall like Rakuten Ichiba, so merchants can build their own storefront and control how they interact with their customers. In fact, the two e-commerce giants are similar in many ways. For example, Yahoo! Shopping also offers its users several ranking lists that shows which products are most popular overall and by category and which products are strongly trending and has a price comparison function and has a service called *Asutsuku* which identifies merchants that can provide next day delivery.

It is possible to repurpose a storefront designed for Rakuten Ichiba on Yahoo! Shopping for about 50% of the original cost of developing the original site. Yahoo! Shopping also has EC consultants but most do not speak English well or at all. Unlike Rakuten Ichiba, Yahoo! Shopping does not offer a cross-border e-commerce

<sup>1</sup> [https://www.amazon.com/gp/goldbox/ref=nav\\_cs\\_gb](https://www.amazon.com/gp/goldbox/ref=nav_cs_gb)

program for US merchants or those from anywhere else in the world and has no immediate plans to start such a program in Europe or elsewhere. As such, overseas merchants wanting to sell on Yahoo! Shopping, must use a Japan based agent but have the option of maintaining inventory in Japan or fulfilling orders from overseas. Also, because Yahoo! Shopping does not have any in-house order fulfillment function, overseas merchants will need to have their agent utilize either Amazon Japan FBA Multi-Channel service or a third-party warehouse.

#### i. E-commerce Revolution

The core elements of Yahoo! Shopping's E-commerce Revolution are: 1) offering customers T-points to incentivize purchase and loyalty, and 2) incentivizing Yahoo! Shopping to advertise and promote on behalf of the merchants in exchange for a share of the sales revenue. This creates a win-win-win situation where all parties are working to generate sales and merchants only pay when products are sold. That said, sales commissions can go as high as 30%.

Because of this approach, Yahoo is able to avoid the fixed annual platform fees that Rakuten Ichiba charges and offer lower sales commissions than Amazon Japan. In fact, merchants can enjoy a cost structure as low as 5.6% of total sales which would make Yahoo! Shopping the lowest cost option for merchants. The fee structure is outlined below and is made up of the T-Point contribution of 2.5% and 1% for Affiliates. Yahoo! Shopping also charges 3% for all credit card and digital cash payments which make up about 75% of all transactions.

Initial cost	<b>free</b>
Monthly system usage fee	<b>free</b>
Sales royalty	<b>free</b>
T point contribution	2.5 to 16.5% (2.5% is mandatory: 1% is the store point, 1.5% is the bonus point allocated ※)
Affiliate partner remuneration resources	1% to 50% (1% is mandatory)
Affiliate fee	30% of affiliate partner remuneration resources

- Store point is set to 1% (mandatory) and is given to purchaser.
- ※ Bonus points are allocated 1.5% (mandatory) and used for planning events.

Yahoo! Shopping pays its merchants once a month, on 25<sup>th</sup> of the month, one month after sales have been generated. Operating costs are deducted from total sales revenue prior to being paid into a nominated bank account located in Japan.

#### ii. Launch Promotion

Yahoo! Shopping is all about generating momentum for merchants by promoting their storefronts on their behalf. One way they do this is through their *New Store Promotion Program*. New merchants are given the opportunity to introduce themselves to Yahoo! Shopping consumers by selecting one product to

dramatically price promote at 50% off during the new store introduction which lasts two weeks. Merchants pay ¥40,000 (€320) to participate in this promotion during which Yahoo! Shopping will promote the new store via banners and the new store promotion link. When a new merchant achieves ¥100,000 (€800) or more in sales in any given month, that merchant qualify to move to the next promotional phase.

### iii. PR Option

The main program is called *PR Option* in which merchants offer Yahoo! Shopping a sales commission to promote in various ways their storefront, specific products or attractive offers. Yahoo! Shopping does so by including them in product search results, category list pages, feature pages, etc. These merchants shortly after launching their storefronts typically offer an attractive sales commission of 20% or as much as 30% to incentivize Yahoo! Shopping to promote their storefront during which time successful merchants rack up visits, sales and reviews which in turn influence Yahoo! Shopping's SEO algorithm. Those commissions can be reduced over the next few weeks or months until sales are stable and sustainable and merchants can focus on discounts and other consumer-focused promotions.

### iv. Additional Promotional Programs

Yahoo! Shopping, like Rakuten Ichiba, offers a wide variety of promotional programs to its merchants including:

- *Item Match / Store Match* – This is Yahoo! Shopping's CPC program, a cost-per-click-priced promotion in which cost is generated only when the advertisement is clicked. Merchants bid on key words and link them either to the entire store or to particular products. This results in high search rankings.
- *Banner & Text Ads* – Yahoo! Shopping offers two types of banner / text ads that can be posted on a category page or during seasonal promotions or exposed as a "feature advertisement". Yahoo! Shopping targets these ads at users who are most likely to purchase. Banners differ in size and can be placed on the PC or mobile site and can appear on Yahoo! Shopping's top page, at the top of category pages, on the search result page or the product ranking page. Ad costs range from ¥30,000 - ¥310,000 (€240 – €2,480). Ad placement duration is either one or two weeks.
- *Solution Package* - Solution package is an advertisement service that delivers advertisements to Yahoo! Japan's search engine in the same way as Google AdWords works with Google search.
- *Yahoo Promotion Ad* - Yahoo! Promotional Advertisement is a banner advertisement that can be posted on Yahoo! JAPAN and many other outside sites. It is a highly targeted cost-per-click-priced type advertisement, that automatically brings prospects to the merchant's Yahoo! Shopping storefront.
- *Time Sale* – This is similar to Amazon Japan's Lightning Deal and Rakuten Ichiba's Flash Sale in that it requires approval from Yahoo! Shopping, is focused on best-selling items and is limited in time to 4, 12 and 24 hours for each sale. Unlike Amazon Japan where participation in a Lightning Deal is by invitation only, merchants are able to submit proposals to Yahoo! Shopping for products to be considered for inclusion in a Time Sale which occur during the major monthly promotions and on a daily basis.

## 5. Market Entry Via E-commerce

International businesses have been lured to Japan by its large market and affluent consumers. Market entry via e-commerce provides a relatively simple, inexpensive and low risk way to test viability and grow business operations in a managed way. Because most assets (product listings, images, pricing, etc.) have already been created, leveraging and repurposing them usually only require localization for language and cultural affinity. In many cases, popular or bestselling items in other markets are also popular with Japanese shoppers.

### a. Market Entry Checklist

Entry to the Japanese market via e-commerce is made up of a number of progressive steps which should be considered and followed to maximize success. Japan can be a very complex and confusing market but, at the same time, predictable and manageable. Consumers are often wary of foreign companies and products unless they are provided with clear information and reassurances. In that sense, looking and or acting similar to Japanese merchants is one strategy that can help remove obstacles to purchase.

#### i. Market Research

Overseas merchants should access industry and product specific market intelligence including market size, a review of key competitors and potential partners and details of product characteristics and requirements, prior to entering the Japanese market. The next step is to evaluate the overall opportunity, estimate costs and devise the best business strategy. JETRO (Japan External Trade Organization) and the EU-Japan Centre, as is the European Commission's tool called the "[Market Access database](#)". This tool provides information about tariffs on the products that will be impacted by the EU-Japan EPA which should will help EU SMEs.

#### ii. Product Import Processing

For overseas merchants choosing the cross-border model, import procedures will not be much of a problem unless particular products are banned from entry. For those merchants choosing a local fulfillment model, it is important to note that many products require a clean bill of health to enter Japan and importing often requires screening, testing and special import permits. These merchants or their agents will need to navigate these often complex import procedures in a wide variety of product categories including consumer electronics, foods, kitchenware, children's toys, cosmetics, health products and nutritional supplements. International merchants or their agents need to familiarize themselves with these procedures along with Japan Customs and the relevant government agencies to help minimize timelines and costs.

#### iii. Customs Clearance

For products that require special import procedures a local importer of record is required to initiate the above mentioned product import process. In cases where there are no special import approvals required, a customs clearance agent can manage customs this import process.

#### iv. Merchant Account Establishment

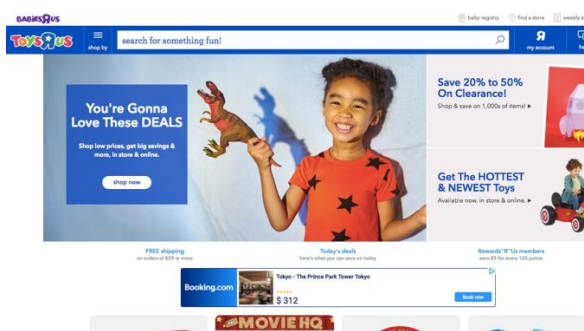
Establishing a merchant account on Amazon Japan is relatively easy if the merchant already has a Seller Central account in another country. Doing so on Rakuten Ichiba and Yahoo! Shopping is a more complicated process but not very difficult. For Rakuten Ichiba, merchants with a registered business in the US (or some European markets in 2018), have the option of establishing a cross-border account themselves and utilizing one of Rakuten Ichiba's registered agents to operate the business or doing it themselves. For all other overseas merchants and those wanting to trade on Yahoo! Shopping, utilizing an agent to apply for and establish a trading account is required. Once a decision to sell in Japan has been made, the agent registers and open an account on Rakuten Ichiba and or Yahoo! Shopping on behalf of its clients. The account is in the agent's name but the storefront is named and or branded by the merchant. This enables them to transact in Japan and provides the options of cross-border shipping (lower risk) or maintaining local inventory (improving conversion rates and sales and minimizing delivery time and costs for Japanese customers). This process includes the submission of an application and other related documents and subsequent review and approval by Rakuten Ichiba. The process usually takes one to two weeks.

## v. Localization: Storefront Development and Product Listings

Rakuten Ichiba and Yahoo! Shopping are e-commerce shopping malls which feature their merchants' unique storefronts, while Amazon is a "product-centric" platform. Merchants seeking to transact on Rakuten Ichiba (both in-country and cross-border operations) and Yahoo! Japan's (only in-country operations) will typically require the support of their agent or a third party design agency experienced in storefront design and optimization. Building a cost-effective and compelling storefront requires that all of the product listings and consumer-facing information is fully and properly localized - both in terms of Japanese language AND cultural sensibility, which is often a challenge as the ideal type and amount of information and content sometimes exceeds what is normally available on the merchant's own website.

Localization takes on new meaning in Japan. The vast majority of the population speak only Japanese but simply translating your site won't really work. Japanese shoppers require a high degree of assurance when they make a purchase, and trust plays a critical role. This means a lot of information and technical specifications must be included on product pages, and it all has to make sense to the Japanese shopper, both linguistically and culturally. It also means generating positive reviews and promoting high customer satisfaction scores.

Here's what a page for Toys R Us looks like in the US compared to Toys R Us Japan<sup>2</sup>. You can see that the Japanese site is much busier and full of information and images.



Costs to develop a simple storefront with a limited number of products may cost as little as ¥150,000 (€1,200) to create, while more elaborate storefronts with a larger number of products may cost ¥500,000

<sup>2</sup> <https://www.toysrus.co.jp/>



(€4,000) or more. Savings can be made by repurposing the storefront design developed for Rakuten Ichiba for use on Yahoo! Shopping, for example. Also, as many overseas merchants will typically launch on Amazon Japan first, the product listings that have already been translated into Japanese can be repurposed for use on Rakuten Ichiba and or Yahoo! Shopping. Translation from English to Japanese may cost around ¥10 (€0.08) per word.

## vi. E-commerce Business Operations

Some overseas merchants will hire Japanese or Japanese speaking staff in their home office or based in Japan to manage business operations from abroad, but most will be operating locally through an agent. For them, they will need to have virtually all aspects of their business managed by their agent including order processing, inventory management and customer service as well as marketing and promotions and financial management because all of these operations will be in Japanese and typically need to be managed in real-time on a Japanese language platform. A good agent will have an in-house team of Japanese designers, translators and operations and marketing professionals that act on behalf of their clients to manage the business as if was their own. Regular and ongoing written and verbal communications with their agents will enable overseas merchants to quickly adjust to market forces and maximize the business opportunity in Japan. An effective partnership means the best of both worlds in terms of the overseas merchant's knowledge and experience combining with localized implementation and support.

## vii. Warehousing and Order Fulfillment

Overseas merchants who are able to utilize Rakuten Cross-border service or those that will use Amazon Japan's FBA service won't have many issues regarding warehousing or order fulfillment. For those using Rakuten Ichiba's cross-border service, there is a short list of authorized agents that can manage operational issues. For those using Amazon FBA, virtually all aspects of the operation are managed by Amazon Japan. For those overseas merchants maintaining local inventory at a third-party warehouse, they need to choose an established logistics partner to provide seamless order fulfillment for their Japanese customers. Luckily there are several state-of-the-art warehouse and logistics service providers that offer low-cost / high-quality inventory management and delivery services. Technology partners exist that can enable a real-time connection between these warehouses and Rakuten's RMS and Yahoo!'s StorePro order processing systems. This system is also required when FBA's Multi-Client Fulfillment Service is being used to fulfill orders outside of Amazon or manual order processing will be required.

### 1. Return Policy

Most merchants have moderate return policies which means that they accept returns at the merchant's expense within 7 days of purchase and only if the item is unopened or it is damaged or not functioning. Some have generous return policies and accept returns within 30 days for any reason including if customers were not satisfied, although in that case the customer pays the cost to send the product back.

## viii. Financial Management

Overseas merchants selling on Amazon Japan and those American merchants using Rakuten's Cross-border service can have their sales revenue easily repatriated to their nominated bank account outside of Japan. For those merchants also selling on Rakuten Ichiba and Yahoo! Shopping via local agents, a local bank account will need to be set up by their agent. The agent sets up the bank account on behalf of their client but in the name of the agent, who manages all transactions including receiving inbound sales revenues from the e-commerce platforms, making payments to all Japan-based vendors and service providers and repatriation of funds to their client's designated bank accounts, along with providing basic accounting and reconciliation services.

### b. Social Media

LEADING SOCIAL NETWORKS IN JAPAN



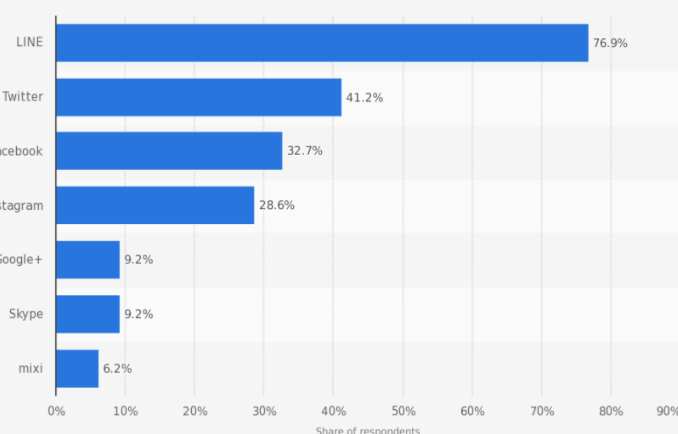
According to Statista's 2017 report<sup>3</sup>, 52.56 million people in Japan were active monthly social network users in 2016, thanks to Twitter, LINE and Facebook, which are the leading social networks. LINE, a Japanese multimedia messaging service and social media network, is the most widely adopted social media platform in Japan. With 218 million active monthly users worldwide, an estimated 91% of Japanese social media users are using LINE. However, Twitter, Facebook, Instagram and other global Social Media platforms also are extremely popular. The main search

engines are Google (57%) and Yahoo! (40%).

According to a 2016 report by Dentsu, digital market spending amounted to ¥1.156 trillion (€9.3 billion) in 2016 with about 50% being spent on mobile ads. Search Engine Marketing (SEM) accounted for almost 60% of digital advertising spending in 2016.

Because a large majority of consumers in Japan have internet access, smartphones, and because e-commerce has become such a popular means of shopping, digital marketing has become an increasingly important way for merchants to reach consumers. Social media and digital marketing are important to merchants even when selling on the three major e-commerce platforms as a means of bringing additional users to their storefronts. They are essential if and when a merchant decides to create a localized website and needs to drive traffic to that site. As such, advertising on social networks like Facebook can produce incremental traffic and can be used to drive impulse purchases. Google Ad Words and Yahoo! Japan Search are probably the most important digital advertising media in Japan.

Most popular social networks in Japan as of October 2017, ranked by audience reach



Source  
ICT Research & Consulting  
© Statista 2017

Additional Information:  
Japan; ICT Research & Consulting; October 11, 2017; 4,196 respondents

<sup>3</sup> <https://www.statista.com/statistics/278994/number-of-social-network-users-in-japan/>

### c. Affiliate Marketing

Perhaps the best way to generate incremental traffic and sales is to utilize affiliate networks which are very popular in Japan. These affiliate networks operate huge numbers of bloggers and other publishers who write reviews and promote products that they agree to support. Banner advertising is also placed on the publishers' site. The registration process is simple but there are some technical applications required to enable the affiliate networks to accurately track when an affiliate's posting leads to an inquiry or sale. Only sales result in commissions being paid by the merchant. These are the two largest affiliate networks in Japan:

#### Value Commerce

<https://www.value-commerce.ne.jp/en/>

Initial setup fee - free

Fixed Monthly fee ¥35,000 / €280

Affiliate commission: minimum 5%

Value Commerce commission: 35% of the commission paid to the affiliate

Number of advertisers: 2,000

Number of publishers: 650,000

#### A8.net

<http://www.a8.net/en/>

Initial setup fee - ¥52,500 / free for overseas companies

Fixed Monthly fee from ¥35,000/ €280

Affiliate commission: minimum 5%

A8.net commission: 30% of the commission paid to the affiliate

Number of advertisers: 15,000

Number of publishers: 2 million

## 6. Business Expansion Opportunities

Japan is as huge and dynamic market where unique foreign goods can enjoy tremendous success. Yet many would-be local wholesalers or licensing agents often expect to see some investment in Japan on the part of foreign companies demonstrating a commitment to the market and establishing a track-record of success prior to engagement. By directly initiating and building an e-commerce business in Japan, international companies often have an advantage when trying to expand their business in Japan and approaching potential local partners with some history of success. Utilizing an agent that can also help identify and explore business opportunities in addition to e-commerce would be the ideal situation for overseas merchants that also want to generate wholesale or retail sales. A good market entry agent identifies and vets these potential business partners, assists its clients in the negotiation and contracting process, and can oversee or even manage the local operation in Japan.

## 7. Recommendations

Succeeding in Japan's complex and competitive e-commerce ecosystem often requires a fairly high degree of patience and investment on the part of an overseas merchant, but the rewards of success can be very great. Unique and varied products not typically found in Japan, attention to detail in all points of contact with the consumer including packaging, high levels of customer service along with a strong value proposition



are key success factors. Where brand names once dominated the consumer landscape, price has become a more important consideration for Japanese consumers when making purchase decisions.

One recommended approach is to create a **hero item** or items which become the initial focus of any marketing or promotional strategy. A hero item is a merchant's most popular and best value product available in their storefront. Once the hero item is selected, an attractive price point is confirmed after analyzing the competitive landscape. This price may reduce or even eliminate profit margins in the short term but should provide long term benefit for not only the product line but the overall storefront. The next step is to ensure that the hero item product page is fully loaded with as much relevant information and images as possible, ensuring that the product is competitively presented. Lastly, a large part of any marketing or promotion budget should be allocated to drive awareness to the hero product and provide incentives for purchase. SEO should be optimized and in-store banner links to the hero product page should appear on all other product pages. Traditional PR and external marketing can be strategically utilized for unique and popular products from overseas that have an interesting story to tell. Japan is the land of fast-moving consumer trends. Starting one or even riding one can prove to be very profitable.

Overseas merchants should also consider evaluating whether their products lend themselves to B2B sales that can provide incremental revenue. Although there are no established B2B e-commerce platforms in Japan, extensive mailing lists exist and can be accessed for email marketing.

Lastly, visiting Japan and getting a first-hand view of the market is highly recommended. Such market visits can include meetings with the major e-commerce platforms, potential agents, potential wholesale or retail partners and can be organized around a trade show or other industry events.

## 8. List of Resources

### Government

- Customs
  - Japan Customs – Import and Export Procedures
    - <http://www.customs.go.jp/english/summary/import.htm>
  - Tariff Rates
    - [http://www.customs.go.jp/english/tariff/2018\\_1/index.htm](http://www.customs.go.jp/english/tariff/2018_1/index.htm)
- Ministry of Economy, Trade and Industry (METI)
  - Overview of Export Controls
    - <http://www.cistec.or.jp/english/export/Overview4th.pdf>
- JETRO (Japan External Trade Organization)
  - JETRO offers a wealth of services and information from market data and business consultations to business referrals and temporary office space to international companies seeking to enter the Japanese market.
    - <https://www.jetro.go.jp/en/>
- European Commission

- Market Access database
  - <http://madb.europa.eu/madb/indexPubli.htm>

## E-commerce Platforms

- **Amazon Japan** - Maintains a list of third-party service providers that can assist overseas merchants set up, operate and optimize operations in Japan.
  - <https://services.amazon.co.jp/services/out-of-country/en/service-providers.html>
- **Rakuten Ichiba**
  - Cross-border Services
    - There are four registered agents that can provide cross-border services to overseas merchants allowing them to transact on Rakuten Ichiba but fulfill orders from their country of origin.
      - iOrder
        - <http://i-order.jp/>
      - Brangista
        - <https://www.brangista.com/en/>
      - EC Robo
        - <http://www.ecrobo.com/>
      - Trans Cosmos
        - <https://www.trans-cosmos.co.jp/english/>
  - Local Operations
    - There is one service provider that is providing overseas merchants with a one-stop, turn-key solution allowing them to fully localize their e-commerce operations on Rakuten Ichiba in Japan without the need to establish an official business presence in Japan.
      - Big Picture International
        - <https://www.bigpictureint.com/>
- **Yahoo! Shopping** - Maintains a list of third-party solution providers that can Japanese merchants to set up, operate and optimize operations in Japan but none of them are serving overseas merchants
  - [https://business-ec.yahoo.co.jp/commerce\\_partner/](https://business-ec.yahoo.co.jp/commerce_partner/)
  - Local Operations
    - There is one service provider that is providing overseas merchants with a one-stop, turn-key solution allowing them to fully localize their e-commerce operations on Rakuten Ichiba in Japan without the need to establish an official business presence in Japan.
      - Big Picture International
        - <https://www.bigpictureint.com/>

## Service Providers

#### Customer Service

- Iwatsu Business Service - <https://www.iwatsu.co.jp/ibs/>
- TransCosmos - <https://www.trans-cosmos.co.jp/>

1.

#### Customs Clearance & Import Services

- Windows, Inc. - <http://windowstokyo.com/>
- S-Pool - <https://logi.spool.co.jp/>

#### Marketing Optimisation

- JS Consulting - <https://js-consulting.jp>
- Ureru Net - <https://www.ureru.co.jp/>

#### Storefront Design

- EC Solutions - <http://ecsolutions.jp/>
- i-Order - [www.i-order.jp/](http://www.i-order.jp/)

#### Technical Services

- Shippino - <https://www.shippinno.net/>
- Next Engine - [next-engine.net/](http://next-engine.net/)

#### Warehousing & Distribution

- Seicho - [www.seicho-inc.jp/](http://www.seicho-inc.jp/)
- e-Logit - [www.e-logit.com/](http://www.e-logit.com/)

#### Translation

- Windows, Inc. - <http://windowstokyo.com/>
- Gengo - <https://gengo.com/>

## 9. E-commerce Related Trade Conferences

- e-commerce Fair Japan (Tokyo) - B2B trade exhibition covering Payment, Delivery & Logistics, Marketing, Customer Service & Customer Retention Marketing, Digital & Mobile Marketing, Omni-channel retailing and cross-border commerce.
  - February 13 - 14, 2018, Annual
  - <http://www.e-commerceexpo-japan.com/en/>
- Direct Marketing Fair and EC Expo (Tokyo) - Large scale direct marketing and EC expo with more than hundreds of exhibitors and over 70 seminars.
  - April 10 – 11, Annual
  - <https://www.bci.co.jp/dmf/lp/2018/exhibit/index.html>
- Mail Order Solution Exposition (Tokyo) – IT conference with a strong focus on e-commerce.
  - May 9 – 11, Annual
  - [http://www.ts-expo.jp/Home\\_Haru/](http://www.ts-expo.jp/Home_Haru/)

- e-commerce Fair (Osaka) - B2B trade exhibition covering Payment, Delivery & Logistics, Marketing, Customer Service & Customer Retention Marketing, Digital & Mobile Marketing, Omni-channel retailing and cross-border commerce.
  - May 30 – 31, Annual
  - <http://www.e-commerceexpo-osaka.com/en/>

## 10. Attachements

- Sample Local Operations Monthly P&L
- Japanese e-commerce ecosystem

# Attachment 1: Sample Local Operations Monthly P&L

Set up Costs (These one-time fees are not included in the below listed calculations)					Tax		
	#	Amount	Subtotal	Tax Rate	Amount	Total ¥	Total €
<b>Rakuten</b>							
Storefront Development (Est)	1	300,000	300,000	0%	-	300,000	
<b>Subtotal</b>						<b>¥300,000</b>	<b>€ 2,400</b>
<b>Agent</b>							
Management fee for Product Registration, testing, etc.	-	-	-	0%	-	-	
Laboratory and other testing	-	-	-			-	
Product sector & consumer research	-	-	-	0%	-	-	
Monthly Management Fee for Storefront Development	2	150,000	300,000	0%	-	300,000	
<b>Subtotal</b>						<b>300,000</b>	<b>€ 2,400</b>
<b>Setup Total</b>						<b>¥600,000</b>	<b>€ 4,800</b>

Ongoing Monthly Operations							Sales / Mo
<b>Rakuten</b>							<b>\$4,800.00 € 600,000</b>
Misc. Fixed Costs	1	5,000	5,000	8%	400	5,400	
Sales Commissions	6.75%	600,000	40,500	8%	3,240	43,740	
Rakuten Point Discount CRM Program	1%	600,000	6,000	8%	480	6,480	
Marketing	1	75,000	75,000	8%	6,000	81,000	
Japan Market Shop Plan Fee (amortized over 12 months but paid when account is created)	12	600,000	50,000	8%	4,000	54,000	
<b>Subtotal</b>						<b>¥190,620</b>	<b>€ 1,525</b>
<b>Amazon</b>							<b>\$4,800.00 € 600,000</b>
Misc. Fixed Costs	1	10,000	10,000	8%	800	10,800	
Sales Commissions* (depending on category)	10%	600,000	60,000	8%	4,800	64,800	
Marketing	1	75,000	75,000	8%	6,000	81,000	
FBA Warehouse	1	35,000	35,000	8%	2,800	37,800	
Pick-pack / Shipping Costs	120	350	42,000	8%	3,360	45,360	
<b>Subtotal</b>						<b>¥156,600</b>	<b>€ 1,253</b>
<b>Yahoo! Shopping</b>							<b>\$2,400.00 € 300,000</b>
Misc. Fixed Costs	-	-	-	0%	-	-	
Credit Card Processing	3.0%	300,000	9,000	8%	720	9,720	
Yahoo! point Discount CRM Program	2.5%	300,000	7,500	8%	600	8,100	
Marketing	1	37,500	37,500	8%	3,000	40,500	
<b>Subtotal</b>						<b>¥58,320</b>	<b>€ 467</b>
<b>Agent</b>							
Monthly Management Fee	1	150,000	150,000	0%	-	150,000	

Sales Commissions	15%	-	-	8%	-	-
	12.5%	-	-	8%	-	-
	10%	-	-	8%	-	-
	7.5%	-	-	8%	-	-
	5.0%	-	-	8%	-	-
3rd Party Warehouse for Rakuten & Yahoo Fulfillment	1	50,000	50,000	8%	4,000	54,000
Pick-pack / Shipping Costs	180	450	81,000	8%	6,480	87,480
3rd Party Service Connecting Rakuten & Yahoo to 3rd Party Warehouse	1	20,000	20,000	8%	1,600	21,600
<b>Subtotal</b>					<b>¥313,080</b>	<b>€ 2,505</b>
<b>Ongoing Operations Total</b>					<b>¥660,300</b>	<b>€ 5,282</b>
<b>Estimated Sales Per Order</b>					<b>¥5,000</b>	<b>€ 40</b>
<b>Total # of Orders</b>					<b>300</b>	
<b>Total Revenue</b>					<b>¥1,500,000</b>	<b>€ 12,000</b>
<b>Operating Costs as % of Sale Revenue</b>					<b>44.0%</b>	

Internal Costs	#	Amount	Subtotal	Tax Rate	Tax Amount	Total
COGS	30%	1,500,000	450,000	0%	-	450,000
International Shipping to Warehouse (2 times per year allocated over 12 months)	2	200,000	33,333	0%	-	33,333
Declared Value %	30%	450,000		0%	-	
Import Tax on declared value allocated over 12 months	8%	36,000	3,000	0%	-	3,000
Tariff (depending on product category)	0%	-	-	0%	-	-
Misc.	1	25,000	25,000	0%	-	25,000
<b>Internal Costs Total</b>						<b>¥511,333</b>
<b>Internal Costs as % of Sale Revenue</b>						<b>34.1%</b>
<b>Total Costs</b>						<b>¥1,171,633</b>
<b>Total Costs as % of Sales Revenue</b>						<b>78.1%</b>

<b>Estimated Monthly Gross Profit</b>	<b>¥328,367</b>	<b>€ 2,627</b>
<b>Estimated Monthly Gross Profit %</b>	<b>21.9%</b>	

Key Assumptions
Monthly Sales Revenue Estimate: ¥1,500,000
Rakuten Allocation: 40%
Amazon Allocation: 40%
Yahoo! Shopping Allocation: 20%
COGS % of sales price: 30%
Estimated Sales Per Order: ¥5,000
Exchange Rate: ¥125 / €1

## Attachment 2: Japanese E-commerce Ecosystem





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